

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries fell again; led by the long-end whilst pushing yields beyond the 2Y to fresh highs following decent September jobs report; which included an upward revision to July-August data. Overall benchmark yields ended 2-6bps higher from prior day's close. The 2Y edged another 2bps at 2.89% whilst the 10Y lost 5bps at 3.23% levels. The bond market is closed for Monday ahead of heavy UST supply slated for this week; with 3Y, 10Y followed by the 30Y auction on Thursday. The deluge of supply amounts to \$230b overall ranging from 1-month to 30-years. The seasonality for bearish UST's in the final 3 months of the calendar year may yet be another factor along with the upcoming CPI data on the 11<sup>th</sup> of October which will give a fresh read on whether the Fed is accurate on its view of the tepid inflation as the jobless rate reveals a new low for decades.

##### MGS/GII

- Trading volume for Govvies maintained at RM2.03b Friday amid softer tone as investors started nibbling for values. Overall benchmark yields ended 1-4bps lower across the curve with focus on the shorter off-the-run 19-20's, and 21-23's. The 7Y MGS 3/25 was untraded at 4.00% whilst the 10Y MGS 6/28 saw slight demand; ending 3bps lower at 4.10%. GII bond trades rose to 57% of overall trades. Emerging Asia's sovereign bonds may be set to reverse the 2-year surge in interest which was fueled by cheap money with the stronger dollar, US-China trade war and soaring oil prices being other factors in the entire equation. Meanwhile foreign holdings of overall MYR bonds fell 1.6% to RM184.5b for September; the lowest since March 2017.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.89	2
5-yr UST	3.07	2
10-yr UST	3.23	5
30-yr UST	3.40	6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	-3	3.72	0
5-yr	3.78	-4	3.88	0
7-yr	4.00	0	4.04	0
10-yr	4.10	-3	4.19	0
15-yr	4.52	-1	4.56	0
20-yr	4.69	0	4.77	-1
30-yr	4.93	0	4.99	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.72	0
3-yr	3.78	0
5-yr	3.87	0
7-yr	3.99	1
10-yr	4.19	1

Source : Bloomberg

##### Upcoming Government Bond Tender

Nil

##### Corp Bonds/Sukuk

- Corporate bonds/Sukuk saw volume ease to RM337m with focus in the GG and AA-part of the curve on 24 different bonds compared to prior day's 32. Overall yields ended mostly mixed-to-lower last Friday. Govt-guaranteed PTPN 32's saw RM100m nominal amounts traded; closing mixed on yields between 4.63-65% compared to previous-done levels. The AA-space which continued to see power-related bonds dominate saw EDRA Energy 7/29 and 1/30 close a whopping 59-60bps lower at 5.46% and 5.50% levels whilst BGSM 8/21 ended unchanged at 4.43%.MALAKOFF 18-19's equally saw action; closing 30bps apart. Meanwhile Cagamas Bhd successfully issued RM1.55b of 3Y conventional MTN's and IMTN's at 4.09%; representing 49bps spread over similar-tenured MGS.

## Daily Trades : Government Bonds

Securities		Closing	Vol	Previous		Chg
		YTM	(RM mil)	YTM	Previous Trade Date (dd/mm/yyyy)	(bp)
MGS	10/19	3.401	112	3.408	03/10/2018	-1
MGS	10/20	3.493	3	3.545	04/10/2018	-5
MGS	07/21	3.643	4	3.652	04/10/2018	-1
MGS	11/21	3.605	120	3.632	04/10/2018	-3
MGS	03/22	3.661	19	3.678	03/10/2018	-2
MGS	03/23	3.855	6	3.828	04/10/2018	3
MGS	04/23	3.781	130	3.817	04/10/2018	-4
MGS	08/23	3.856	1	3.868	04/10/2018	-1
MGS	09/24	4.015	1	4.002	04/10/2018	1
MGS	09/25	4.051	25	4.072	04/10/2018	-2
MGS	04/26	4.119	10	4.088	04/10/2018	3
MGS	11/26	4.095	24	4.081	03/10/2018	1
MGS	11/27	4.185	25	4.167	04/10/2018	2
MGS	06/28	4.102	70	4.129	04/10/2018	-3
MGS	04/30	4.474	2	4.453	02/10/2018	2
MGS	06/31	4.508	22	4.450	02/10/2018	6
MGS	04/33	4.556	166	4.585	04/10/2018	-3
MGS	11/33	4.522	101	4.536	04/10/2018	-1
MGS	05/35	4.725	2	4.712	03/10/2018	1
MGS	04/37	4.762	20	4.717	04/10/2018	4
MGS	09/43	4.890	20	4.883	01/10/2018	1
GII	04/19	3.319	819	3.290	01/10/2018	3
GII	08/20	3.532	300	3.523	01/10/2018	1
GII	04/22	3.770	22	3.795	04/10/2018	-2
GII	08/37	4.771	10	4.787	04/10/2018	-2
			<u>2033</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*
DanaInfra Nasional Berhad	04/24	GG	4.111	30	4.230	19/07/2018	-12	18
Bank Pembangunan Malaysia Berhad	09/24	GG	4.233	5	4.306	20/07/2018	-7	30
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.628	50	4.610	28/09/2018	2	10
Perbadanan Tabung Pendidikan Tinggi Nasional	08/32	GG	4.648	50	4.850	14/03/2018	-20	12
DanaInfra Nasional Berhad	11/47	GG	5.079	20	5.059	02/10/2018	2	38
GENM Capital Berhad	07/23	AAA	4.881	6	4.881	04/10/2018	0	109
Fortune Premiere Sdn Berhad	09/25	AA	5.015	10	5.034	28/09/2018	-2	102
BGSM Management Sdn Berhad	08/21	AA3	4.426	5	4.430	04/10/2018	0	81
AmBank Islamic Berhad	03/24	AA3	4.288	5	4.328	04/10/2018	-4	50
RHB Islamic Bank Berhad	05/24	AA3	4.258	5	4.286	04/10/2018	-3	33
CIMB Thai Bank Public Company Limited	07/24	AA3	4.520	30	4.549	01/10/2018	-3	59
Edra Energy Sdn Berhad	07/29	AA3	5.456	20	6.060	04/01/2018	-60	135
Edra Energy Sdn Berhad	01/30	AA3	5.498	20	6.090	04/01/2018	-59	139
Malakoff Power Berhad	12/18	AA-	3.927	3	4.029	04/10/2018	-10	55
UEM Sunrise Berhad	06/19	AA-	4.325	5	4.345	04/10/2018	-2	95
Quantum Solar Park (Semenanjung) Sdn Berhad	10/19	AA-	4.629	5	4.642	04/10/2018	-1	125
Malakoff Power Berhad	12/19	AA-	4.233	5	4.249	04/10/2018	-2	86
Anih Berhad	11/22	AA-	4.456	3	4.461	04/10/2018	0	73
WCT Holdings Berhad	10/23	AA-	5.160	10	5.138	02/10/2018	2	137
Quantum Solar Park (Semenanjung) Sdn Berhad	10/27	AA-	5.229	5	5.231	04/10/2018	0	112
Quantum Solar Park (Semenanjung) Sdn Berhad	04/32	AA-	5.479	5	5.480	04/10/2018	0	95
Eco World Intl Berhad	04/23	-	6.600	1	6.292	08/05/2018	31	-
Mah Sing Perpetual	-	-	6.559	20	5.964	04/10/2018	60	-
Southern Power Generation Sdn Berhad	04/31	AA-	4.798	20	4.809	28/09/2018	-1	27
				<u>337</u>				

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

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

**The overall development cost of the Pan Borneo Highway project on Sarawak's side is expected to be cut by some RM660mil from RM16.49bil. This will bring down the project cost by about 4% to RM15.83bil.** The revised cost is the result of cost-cutting and optimisation measures without having to compromise on the quality of works of the most ambitious Sarawak infrastructure project. Works Minister Baru Bian was informed of this by Lebuhraya Borneo Utara Sdn Bhd, the project delivery partner, during a briefing while on site inspection to assess the progress of the project last week, sources told StarBiz. In August, Baru was quoted in media reports as saying that the project cost of Pan Borneo Highway was being reviewed and that he was closely monitoring the project to ensure its completion by 2021. Baru led a 100-member entourage comprising senior officials from the Works Ministry, Sarawak Infrastructure Development and Transportation Ministry and Public Works Department during a three-day Jelajah FT Roadpedia to look at the progress at all the 11 work packages under phase one of the project. The project's overall works progress now is about 35%. Eleven public-listed companies from Sarawak and Peninsular Malaysia are among 20 firms awarded main contracts under the 11 work packages. Phase one, which covers 786km, stretches from fishing village Telok Melano in southern Sarawak to Miri in the northern region of the state. Also to be constructed are 114 bridges across rivers, 57 pedestrian bridges, 17 interchanges and 595 bus shelters along the highway. However, no decision has been made by the federal government on the implementation of the project's phase two which will link Sarawak via Limbang division with Sabah. Construction of the 32.77km Telok Melano-Sematan stretch (work package one) is most advanced, having achieved 85% progress. The stretch is expected to be completed and open to traffic early next year, according to the latest LBU report. It comprises six bridges undertaken by Miri-based Samling Resources Sdn Bhd. This single-lane dual carriageway, costing RM580mil, was added to the Pan Borneo highway project on the request of former Chief Minister the late Tan Sri Adenan Satem. Samling Resources is also the main contractor for a second work package – Sematan to Sungai Moyan + Kuching-Serian roundabout – covering 95.4km. This stretch of four-lane carriageway, which also involves the construction of six interchanges and 22 bridges, is the longest among the 11 packages. While inspecting the RM1.33bil Sungai Kua Bridge to Sungai Arip Bridge package (covering 63.68km) undertaken by Musyati-Mudajaya JV, Baru launched a RM1.5mil school project undertaken and sponsored by the contractor. The project in Selangau near Sibul involves the upgrading of the dilapidated SK Sungai Buloh, construction of eight units teacher quarters, refurbishment of the hostels for pupils and canteen. Musyati-Mudajaya JV was named the "best performing work package" for first-half 2018 in a project assessment system introduced by LBU. The system is to evaluate the performances of the 11 work packages' contractors in several fields such as work planning, risks, contracts, health, safety and environment and quality. Musyati-Mudajaya JV also won the "best bumiputra relations" award. Award winners in other categories were: Endaya TRC PK JV (best health and safety); KKB WCT JV (best environmental); Naim Gamuda JV (best traffic management, best contract and claims as well as best quality management); Perkerjaan Piasau Konkerit Sdn Bhd (best quality management); Zecon Kimlun Consortium (best CSR) and KKB WCT JV (best risk management as well as best project integrated management system). LBU launched a week-long campaign last Wednesday to promote HSE and traffic safety along the Pan Borneo Highway. The campaign included a series of internal and various public engagement activities to be held by various work packages.. (Source: The StarOnline)

**The federal government will be retendering all the unfinished underground work of the Mass Rapid Transit Line 2 (MRT2) project, also known as the Sungai Buloh-Serdang-Putrajaya (SSP) line, through an international open tender process. This**

follows the cabinet's decision to terminate the underground work contract of the MRT2 with MMC Gamuda KVMRT Sdn Bhd, a joint-venture (JV) between Gamuda Bhd and MMC Corp Bhd. "This decision was made after considering that the federal government can achieve further significant savings by retendering the underground work package compared with the offer made by the existing contractor," said Finance Minister Lim Guan Eng in a statement yesterday. Guan Eng said both the federal government and the MMC-Gamuda JV had failed to reach an agreement relating to the underground portion of the construction project. The original construction cost for the underground portion was RM16.71 billion, which the federal government wants the MMC-Gamuda JV to reduce. The statement did not say whether the federal government would need to pay MMC and Gamuda compensation for the termination. According to a source close to the matter, the MMC-Gamuda JV is entitled to compensation based on Clause 60 of underground works, including work completed by date of termination, costs for materials and pre-ordered items, expenses borne for purposes of work completion and "reasonable costs for maintenance works and roll-out of equipments arising from the termination". Meanwhile, Guan Eng said there is already a RM5.22 billion, or 23% savings, made from the above ground portion of the MRT2 project. "More savings will be gained when the underground portion is retendered soon," he added. Guan Eng said the money saved will reduce the debt and interest the federal government would need to repay, which ultimately would be borne by the rakyat through future taxes. Having pioneered the project delivery partner (PDP) model for the country's first MRT project in the Klang Valley, MMC Gamuda KVMRT was appointed by Mass Rapid Transit Corp Sdn Bhd (MRT Corp), a wholly-owned company of the Ministry of Finance (MoF) as the PDP for the implementation of MRT2 in March last year. To recap, the MRT2 project was approved by the cabinet on Feb 26, 2014, with an initial estimated cost of RM28 billion. This figure did not include consultant fees, PDP fees, interest cost and the overhead cost for MRT Corp. Guan Eng said the MRT2 cost then ballooned to RM56.93 billion due to factors such as the approval for a railway scheme that had a new line extended to Bandar Malaysia, a change in scope and depreciation of the ringgit. "The overall cost comprised RM39.35 billion construction cost (of which RM22.64 billion was for the above ground portion and RM16.71 billion for the underground portion), RM6.18 billion land acquisition cost, RM360 million for feeder bus and depot cost, RM1.2 billion of other costs, as well as RM9.84 billion worth of interest expenses during construction," he added. Since May this year, however, the MoF, together with cooperation from the Attorney-General's Chamber, the ministry of transport, agencies such as MRT Corp and the private sector, had embarked on a cost rationalisation exercise on MRT2. An engineering consultancy firm was engaged to conduct the cost rationalisation. Consequently, the cabinet on Oct 3 this year accepted an offer made by MMC-Gamuda through their letters dated Aug 15 and Sept 7 to complete the above ground portion of the MRT2 project as a turnkey contractor at the cost of RM17.42 billion, 23% lower than the original cost of RM22.64 billion. "This is a RM5.22 billion, or 23% savings, achieved through a reduction in cost and rationalisation in work scope without cancelling any of the above ground stations," Guan Eng noted. "More savings will be gained when the underground portion is retendered soon. "Furthermore, the expected cost reduction for the MRT2 project will cut the fares future rail passengers will have to pay, and boost public transport usage in the Klang Valley," he added. The scaling down of the MRT2 project is expected to pose a downside to analysts' forecasts on Gamuda and MMC.. (Source: *The Edge Markets*)

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

Source: RAM, MARC

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