

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries again ended weaker as overall benchmark yields rose between 0-3bps post-midterm elections that resulted in a divided Congress. The curve flattened as the long-bond was well bid during the \$19b auction despite a slightly lower BTC ratio of 2.06x; which was awarded at 3.418%. The benchmark 2Y ended 3bps higher at 2.96%; levels last seen in 2008 whilst the 10Y edged 1bps higher at 3.24%. Meanwhile the market will get its affirmation from the Fed which meets today and tomorrow on its steady rate hike path. It is believed that despite the October sell-offs; the FOMC is expected to highlight the pick-up in wages, continuous tightening in the labour market and US economic strength.

MGS/GII

- Trading momentum in Govvies improved yesterday following the mid-week break and mid-term election results in the US with volume at RM1.05b. Investor interest was seen in smaller trades sporadically across the curve especially in the off-the-run 20's and 24's. Overall benchmark yields ended mixed between -4 to +2bps with many odd-lot transactions on closing prices for MGS bonds. The 5Y MGS 4/23 edged 2bps higher at 3.82% whilst the 10Y MGS 6/28 fell by 1bps to 4.13%. GII bond trades improved slightly to 20% of overall trades. The Government is planning to have another ¥200b Samurai Bond issue to help address its sizeable debts. Meanwhile the foreign reserves showed a drop of US\$1.1b to US\$101.7b as at 31st October. Up next is BNM's OPR decision today.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.96	3
5-yr UST	3.08	2
10-yr UST	3.24	1
30-yr UST	3.44	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.65	-4	3.77	1
5-yr	3.82	2	3.91	0
7-yr	4.05	-4	4.05	-4
10-yr	4.13	-1	4.27	2
15-yr	4.62	0	4.58	0
20-yr	4.79	-3	4.79	0
30-yr	4.95	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	3.89	0
7-yr	4.00	0
10-yr	4.20	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Corp Bonds/Sukuk

- Corporate bonds/Sukuk similarly saw volume improve slightly to RM249m across the GG-AA-part of the curve on a total of 24 different bonds traded compared to 8 prior day. Overall yields ended mixed. The GG-space saw LPPSA 10/25 make its maiden trade @ 4.20% whereas AAA-rated AMAN S24-25's rallied 2-3bps compared to previous-done levels between 4.42-50% levels. In the AA-segment; WESTPORT 4/26 rose 4bps to 4.68% whereas the shorter-tenured UMW 2/19 edged 1bps lower at 4.00%. The banking sector saw RHB Islamic 24nc19 trade again closing lower on yields at 4.13%

Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 10/19	3.457	2	3.486	11/05/2018	-3
MGS 11/19	3.550	17	3.492	11/05/2018	6
MGS 03/20	3.512	107	3.468	11/05/2018	4
MGS 10/20	3.561	5	3.550	11/05/2018	1
MGS 07/21	3.676	59	3.684	11/05/2018	-1
MGS 09/21	3.698	4	3.702	11/05/2018	0
MGS 11/21	3.654	60	3.703	11/05/2018	-5
MGS 03/22	3.755	2	3.752	11/05/2018	0
MGS 08/22	3.820	31	3.819	11/05/2018	0
MGS 09/22	3.858	92	3.808	11/02/2018	5
MGS 03/23	3.885	3	3.849	11/02/2018	4
MGS 04/23	3.816	24	3.799	11/01/2018	2
MGS 08/23	3.868	1	3.931	11/05/2018	-6
MGS 07/24	4.027	73	3.994	11/02/2018	3
MGS 09/24	4.044	142	4.055	11/05/2018	-1
MGS 03/25	4.053	2	4.092	11/05/2018	-4
MGS 09/25	4.098	49	4.123	11/05/2018	-3
MGS 04/26	4.218	6	4.171	11/01/2018	5
MGS 11/26	4.180	53	4.153	11/05/2018	3
MGS 03/27	4.221	7	4.203	10/30/2018	2
MGS 11/27	4.210	7	4.218	11/05/2018	-1
MGS 06/28	4.153	23	4.088	11/05/2018	6
MGS 04/30	4.530	41	4.481	11/02/2018	5
MGS 06/31	4.579	1	4.518	11/02/2018	6
MGS 04/33	4.668	4	4.650	11/05/2018	2
MGS 04/37	4.844	19	4.813	11/05/2018	3
MGS 06/38	4.790	4	4.823	11/05/2018	-3
MGS 03/46	5.003	2	4.981	11/05/2018	2
GII 03/22	3.769	70	3.757	11/05/2018	1
GII 07/22	3.826	50	3.839	11/01/2018	-1
GII 11/22	3.881	50	3.833	10/18/2018	5
GII 11/22	3.881	20	3.953	07/06/2018	-7
GII 07/23	3.969	6	3.969	11/05/2018	0
GII 08/25	4.144	10	4.114	10/26/2018	3
GII 09/26	4.235	2	4.212	11/01/2018	2
		<u>1049</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Maturity (dd/mm/yyyy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Pengurusan Air SPV Berhad	06/25	GG	4.210	5	4.200	09/27/2018	1	16
Pengurusan Air SPV Berhad	09/25	GG	4.230	20	4.210	10/04/2018	2	18
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	4.200	40	-	-	-	15
Berjaya Land Berhad	12/18	AAA	4.469	20	4.580	09/04/2018	-11	103
Putrajaya Holdings Sdn Berhad	09/20	AAA	4.074	20	4.088	10/25/2018	-1	54
Aman Sukuk Berhad	04/24	AAA	4.421	10	4.441	10/12/2018	-2	60
Aman Sukuk Berhad	05/25	AAA	4.499	20	4.533	10/08/2018	-3	45
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/18	AA1	4.075	2	-	-	-	63
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	05/19	AA1	4.206	4	4.265	10/23/2018	-6	77
Celcom Networks Sdn Berhad	08/19	AA+	4.181	10	4.169	10/30/2018	1	74
Westports Malaysia Sdn Berhad	04/26	AA+	4.678	15	4.639	07/17/2017	4	63
UMW Holdings Berhad	02/19	AA2	3.999	10	4.080	09/25/2018	-8	56
Kesas Sdn Berhad	10/19	AA2	4.152	5	4.165	11/05/2018	-1	71
CIMB Group Holdings Berhad	12/25	AA	4.812	1	4.569	10/11/2018	24	76
Perbadanan Kemajuan Negeri Selangor	12/18	AA3	4.148	10	4.271	09/05/2018	-12	71
BGSM Management Sdn Berhad	12/18	AA3	3.903	2	3.940	11/02/2018	-4	46
Gamuda Berhad	03/19	AA3	4.146	10	4.152	10/29/2018	-1	71
AmBank Islamic Berhad	03/24	AA3	4.103	14	4.143	11/05/2018	-4	28
RHB Islamic Bank Berhad	05/24	AA3	4.132	15	4.156	11/05/2018	-2	16
UEM Sunrise Berhad	12/18	AA-	3.979	7	3.854	10/23/2018	13	54
CIMB Group Holdings Berhad	05/16	A1	4.823	6	5.158	10/26/2018	-34	1
CIMB Group Holdings Berhad	05/16	A1	5.399	1	5.000	10/24/2018	40	59
Hong Leong Financial Group Berhad	11/17	A1	5.273	2	5.272	10/05/2018	0	46
Eco World International Berhad	#N/A	A1	5.933	1	-	-	-	-
				<u>249</u>				

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

Market/Corporate News: What's Brewing

Prime Minister Tun Dr Mahathir Mohamad said the offer to guarantee the Samurai bonds issue by the Japanese Government to Malaysia will provide many benefits to the country especially in reducing its financial burden and for its development. He said the cheapest bond with an indicative coupon rate of 0.65% was favourable compared with the old debts which were pegged at a high interest rate of up to 7%. "If we could change from high interest with low interest (rate), we are able to reduce the country's burden to service the loan. The bonds can be used for whatever projects that we have," he told Malaysia journalists here, Wednesday, on the last day of his three-day working visit to Japan. Dr Mahathir said there were two types of loans from Japan including the Samurai bonds which will be guaranteed by a Japanese banking institution. "They also have ODA (Official Development Assistance)... that will also help if we have specific projects. If we get the ODA assistance... the loans are charged low interest rate, may be one to 1.5% or less," he said. The Japanese Government has offered to guarantee up to 200 billion yen (RM7.4 billion) of Samurai bonds with a 10-year tenure. The yen-denominated bonds will be guaranteed by Japan Bank of International Cooperation at an indicative coupon rate of 0.65% and are expected to be issued before March next year. Malaysia has voiced its interest to secure the yen-denominated loans during the first meeting between Dr Mahathir and Japanese Prime Minister Shinzo Abe in June this year in efforts to address the country's debt woes.. (Source: *The EdgeMarkets*)

BIMB Holdings Bhd said it has issued the first tranche of its Sukuk Murabahah programme to raise RM300 million. In a statement to Bursa Malaysia today, the company said the subordinated sukuk murabahah issued under the programme shall qualify as Tier 2 regulatory capital of Bank Islam Malaysia Bhd in compliance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components). "Hence, it will enhance the capital adequacy of the bank in line with the Basel III requirements," it added. BIMB Bank said the sukuk has a tenure of 10 years and is non-callable for five years. The Sukuk Murabahah Programme was lodged with the Securities Commission Malaysia on Sept 6, 2018, which allowed the company to issue subordinated sukuk murabahah and/or senior sukuk murabahah under the Programme. RAM Rating Services Bhd has assigned a final long-term rating of 'A1/stable' and 'AA3/stable' to the subordinated sukuk murabahah and senior sukuk murabahah, respectively, under the RM10 billion sukuk programme. Bank Islam is also the principal adviser, lead arranger, lead manager and Shariah adviser for the Sukuk Murabahah Programme. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
UMW Holdings Berhad	RM2 billion Islamic MTN Programme (2013/2028)	AA2/Stable	Lifted from positive Rating Watch to stable
	RM2 billion Perpetual Sukuk Programme	A1	Lifted from positive Rating Watch to stable

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

*.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.