

Global Markets Research
Fixed Income
Fixed Income Daily Market Snapshot
US Treasuries

- US Treasuries bull-flattened yesterday post Columbus Day with heavy UST supply slated for this week i.e. 3Y, 10Y followed by the 30Y auction on Thursday. The deluge of Treasury supply amounts to \$230b overall ranging from 1-month to 30-years. Overall benchmark yields were 1-4bps lower with the 2Y unchanged at 2.89% whilst the much-watched 10Y rallied closing 3bps down at 3.21% level. Nevertheless the dearth of IG issuance is expected to benefit the long-end this week. Strong US data, rising commodity prices, tight monetary trajectory and brewing wage pressures are expected to push yields higher. The upcoming CPI data on the 11th of Oct will give a fresh read on whether the Fed is accurate on its view of the tepid inflation as the jobless rate is anchored at a low since decades ago.

MGS/GII

- Trading momentum in Govvies continued to be tepid with volume at RM1.46b yesterday amid softer tone and absence of players due to shift of attention to the major seminar jointly organized by MOF and several local banks entitled, "Malaysia - A new dawn". Nevertheless, some investors continued to nibble in both MGS and GII 19's and also MGS 23's. Overall yields ended mixed-to-higher save for the 30Y benchmark GII which saw a sole trade done. The 7Y MGS 3/25 continued to be untraded at 4.00% whilst the 10Y MGS 6/28 lost 2bps at 4.12% levels. GII bond trades formed 22% of overall trades. Based on positive clarification and steps to be taken on the country's current financial conditions, capital markets are expected to shrug-off concerns going forward. On the data front we have the IPI and manufacturing sales numbers out on the 11th of Oct.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk saw volume dip to one of the lowest for the year due to absence of players as mentioned earlier. Overall yields ended mostly mixed yesterday. There were no Govt-guaranteed bond trades as the AAA-rated TELEKOM 12/24 stole the limelight moving a whopping 20bps lower to 4.39% compared to previous-done levels. In the banking space PUBLIC Bank 23NC18 ended higher on yields at 4.30% levels.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.89	0
5-yr UST	3.06	-1
10-yr UST	3.21	-3
30-yr UST	3.37	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.62	0	3.72	0
5-yr	3.75	0	3.88	0
7-yr	4.00	0	4.08	0
10-yr	4.12	2	4.19	0
15-yr	4.52	0	4.56	0
20-yr	4.69	0	4.77	0
30-yr	4.93	0	4.94	-5

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.78	0
5-yr	3.88	0
7-yr	4.00	0
10-yr	4.19	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bonds

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	03/19	3.300	2	3.333	04/10/2018	-3
MGS	07/19	3.368	90	3.328	04/10/2018	4
MGS	10/19	3.458	190	3.401	05/10/2018	6
MGS	07/20	3.541	1	3.531	04/10/2018	1
MGS	09/21	3.661	101	3.662	04/10/2018	0
MGS	11/21	3.619	20	3.605	05/10/2018	1
MGS	08/22	3.753	1	3.738	04/10/2018	2
MGS	09/22	3.776	3	3.768	04/10/2018	1
MGS	03/23	3.864	80	3.855	05/10/2018	1
MGS	04/23	3.752	396	3.781	05/10/2018	-3
MGS	08/23	3.856	109	3.856	05/10/2018	0
MGS	07/24	3.998	30	3.994	05/10/2018	0
MGS	09/24	4.049	6	4.015	05/10/2018	3
MGS	09/25	4.072	9	4.051	05/10/2018	2
MGS	11/27	4.141	60	4.185	05/10/2018	-4
MGS	06/28	4.118	38	4.102	05/10/2018	2
MGS	04/32	4.574	1	4.556	01/10/2018	2
MGS	09/43	4.914	1	4.890	05/10/2018	2
MGS	07/48	4.930	3	4.926	04/10/2018	0
GII	04/19	3.317	300	3.319	05/10/2018	0
GII	03/22	3.723	4	3.723	04/10/2018	0
GII	05/47	4.937	10	4.987	04/10/2018	-5
			<u>1455</u>			

Daily Trades: Corp Bonds / Sukuk

Securities		Rating	Closing	Vol	Previous	Previous	Chg	Spread
			YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against MGS*
Cagamas Berhad	11/20	AAA	4.090	4	4.271	22/05/2018	-18	58
GENM Capital Berhad	07/23	AAA	4.701	1	4.881	05/10/2018	-18	93
Telekom Malaysia Berhad	12/24	AAA	4.389	45	4.590	26/06/2018	-20	46
Public Bank Berhad	11/23	AA1	4.297	25	4.148	25/09/2018	15	53
CIMB Group Holdings Berhad	05/16	A1	5.071	0	4.679	04/10/2018	39	37
				<u>75</u>				

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

Market/Corporate News: What's Brewing

The government will not be able to do away with the highway toll collection due to the country's current financial position, says Works Minister Baru Bian. Hence, it is misleading to assume that the new government will do away with toll collection in two to three months, he said on Tuesday. "We will hold on to the present toll (collection) until the financial situation of this country is healthy. This means we are looking at other alternatives," he said. He also said his ministry gets between RM600mil and RM800mil of the RM2bil annual budget. "Every year, we get less than 50% of the RM2bil budget and we have been asked to reduce further. We have a 30% backlog of maintenance to do. If we do not carry out the road maintenance, this backlog will rise to 40%-50%. "Safety of road users is paramount. So we are going to plead with Finance Ministry to get our allocation. If we do not do maintenance, you will get potholes and other issues," he said. "So doing away with toll collection will have to wait until the country is in better financial health," he said.. (Source: *The StarOnline*)

Malaysians might have breathed a sigh a relief too soon after the goods and services tax was removed a few months ago as the government will be introducing more taxes to pare down the whopping national debts. Asset sale will also be another revenue source for the government, beside taxes, according to Tun Dr Mahathir Mohamad. “I don’t think (new taxes are) something that is welcomed by the people. But we may have to devise new taxes to pay our debts,” the prime minister told the audience at the Malaysia: A New Dawn conference yesterday. “Another thing we can do is to sell our assets — land is one of them. While selling land to foreigners is not necessarily good for the nation, the prime minister said that land could be sold to locals for development of housing projects, for example. “Beyond that, we may have to sell some of our valuable assets in order to raise funds to pay off the debts,” he said in his keynote address. In the meantime, Dr Mahathir said stronger economic growth can reduce the debt-to-gross domestic product (GDP) ratio. “(While paring down debt), there is a necessity to grow the economy. If we can grow the economy at a high rate, then the debts would appear smaller than they are now [in terms of debt-to-GDP ratio],” he said. The Finance Minister Lim Guan Eng, who was also present at the conference, revealed that new taxes will be announced during the upcoming Budget 2019 speech on Nov 2. “To quote our prime minister [Dr Mahathir] said, Budget 2019 is [a budget] of sacrifice. Everyone will have to sacrifice and we have to accept that we must sacrifice,” Guan Eng said in a speech. He noted that unlocking value of government-owned assets, such as selling equity stake in public listed government-linked companies, is an option for the government. Meanwhile, Guan Eng stressed that the government has a long-term focus of ensuring sufficient and stable revenue sources for national development. Currently, the government’s operating expenditure, which is generally known as unproductive spending, has used up more than 95% of the public revenue since 2008. Over the years, the government has been relying on borrowings to fund development expenditure which are essential to lay the fundamentals for future growth. He also revealed that the Tax Reform Committee has the mandate of reviewing existing tax incentives “to ensure these measures are still relevant in supporting high economic growth”. Other tasks, include to help reduce tax leakages, evasion and to minimise the tax gap, Guan Eng added. The new administration has repeatedly voiced that one of its main objectives is to reduce national debt which has breached over RM1 trillion, including contingent liabilities, compared with just under RM700 billion stated by the previous Barisan Nasional government. Guan Eng commented that the fiscal target set by the previous administration is now “unrealistic”, and that it will be “foolish” to stick to it in the short term. (Source: *The Edge Markets*)

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

Source: RAM, MARC

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