

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.71	-5
5-yr UST	2.69	-6
10-yr UST	2.85	-5
30-yr UST	3.14	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.66	0	3.75	-2
5-yr	3.83	1	3.88	0
7-yr	3.98	0	4.07	0
10-yr	4.08	1	4.19	0
15-yr	4.50	-1	4.59	0
20-yr	4.72	0	4.78	-1
30-yr	4.92	2	4.94	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.76	0
5-yr	3.85	-1
7-yr	3.94	-1
10-yr	4.15	-2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US treasuries extended gains as disappointing job reports that added to signs of slowing US economic growth continued to keep demand for safety supported. Nonfarm payroll added fewer than expected jobs of only 155k in November and gains in the last two months was revised down by 12k, accompanied by weaker than expected wage growth and steady jobless rate and participation rate. Benchmark 2Y and 10Y yields fell 5bps each to 2.71% and 2.85% respectively while the 30Y fell by a smaller margin of 2bps, taking a breather from the recent curve flattening. We expect lingering risk-off in the markets stemming from renewed tension over US-China following China's official voice of dissatisfaction over the arrest of Huawei top executive, upcoming Parliamentary Brexit vote, dovish Fed speaks (the latest include Fed Brainard and Fed Bullard) amid softer economic data, to continue drive UST higher.

MGS/GII

- Trading in local govies continued to soften for the 3rd straight day, dampened by protracted fragile sentiments in the market. Trading volume tapered off further to RM1.26bn, its lowest in almost a month with yields ended mixed across the curve by -2 to +2bps. Benchmark 10- and 30-Y MGS added 1 and 2bps respectively to 4.08% and 4.92% while 3Y GII saw the biggest decline by 2bps to 3.75%. Interests were concentrated on the 3Y and 10Y MGS while 7Y GII 8/225 took center stage with RM180m dealt flat at 4.07%. GII trades also continued moderating, accounted for 31% of overall bond trades. The latest reading for November showed a RM5.2bn reduction in foreign holdings of total Malaysian debt securities to RM187.1bn (38.8% of total outstanding). Foreign holdings of MGS fell RM5.4bn to RM147.6bn while GII saw a minute RM0.2bn increase to RM14.9bn. Trading interests is expected to remain subdued but could potentially pick up following news that Moody's has reaffirmed Malaysia sovereign rating at A3 with a stable outlook.

Corp Bonds/Sukuk

- Tracking softer momentum in local govies, trading interests in corporate bonds/sukuk also retreated, with volume dealt falling to RM369m on Friday, more than halved from RM813m the preceding day. As usual, AAA-AA part of the curve garnered the most traction led by Gamuda '11/22 and various tenors of Southern Power, that saw RM40m and RM55m changed hands. In the GG segment, PASB '6/23 saw RM10m dealt at 4.083% (+3bps) while DanaInfra '10/28 traded 1bps inner at 4.44%, with RM40m done.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 07/19	3.350	3	3.409	05/12/2018	-6
MGS 10/19	3.467	2	3.432	06/12/2018	4
MGS 11/19	3.438	21	3.439	06/12/2018	0
MGS 03/20	3.501	26	3.513	06/12/2018	-1
MGS 07/20	3.516	5	3.552	05/12/2018	-4
MGS 10/20	3.516	0	3.516	06/12/2018	0
MGS 07/21	3.650	124	3.670	06/12/2018	-2
MGS 09/21	3.696	2	3.693	05/12/2018	0
MGS 11/21	3.663	111	3.673	06/12/2018	-1
MGS 03/22	3.739	4	3.729	06/12/2018	1
MGS 08/22	3.790	32	3.793	06/12/2018	0
MGS 09/22	3.782	13	3.791	06/12/2018	-1
MGS 03/23	3.851	14	3.879	05/12/2018	-3
MGS 04/23	3.832	89	3.824	06/12/2018	1
MGS 08/23	3.872	12	3.893	06/12/2018	-2
MGS 07/24	3.989	4	3.989	06/12/2018	0
MGS 09/24	3.988	3	3.994	06/12/2018	-1
MGS 03/25	3.983	5	3.981	06/12/2018	0
MGS 09/25	4.009	9	4.022	06/12/2018	-1
MGS 04/26	4.155	22	4.160	06/12/2018	0
MGS 11/26	4.153	4	4.156	06/12/2018	0
MGS 06/28	4.078	62	4.068	06/12/2018	1
MGS 04/30	4.405	33	4.441	06/12/2018	-4
MGS 06/31	4.480	66	4.528	06/12/2018	-5
MGS 04/32	4.514	2	4.568	05/12/2018	-5
MGS 04/33	4.502	61	4.503	06/12/2018	0
MGS 11/33	4.502	13	4.500	06/12/2018	0
MGS 05/35	4.675	1	4.643	05/12/2018	3
MGS 04/37	4.757	12	4.745	06/12/2018	1
MGS 06/38	4.723	60	4.723	06/12/2018	0
MGS 03/46	4.940	1	4.929	06/12/2018	1
MGS 07/48	4.921	11	4.905	06/12/2018	2
GII 04/19	3.263	20	3.144	05/12/2018	12
GII 04/20	3.531	10	3.540	05/12/2018	-1
GII 03/22	3.750	90	3.770	06/12/2018	-2
GII 04/22	3.786	7	3.803	05/12/2018	-2
GII 11/23	3.880	25	3.880	05/12/2018	0
GII 08/25	4.069	180	4.072	06/12/2018	0
GII 10/25	4.133	0	4.091	06/12/2018	4
GII 07/27	4.195	4	4.199	05/12/2018	0
GII 10/28	4.192	20	4.198	06/12/2018	-1
GII 08/37	4.775	29	4.789	06/12/2018	-1
SPK 08/20	3.638	50	3.679	25/10/2018	-4
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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*
Pengurusan Air SPV Berhad	06/23	GG	4.083	10	4.052	24/10/2018	3	24
DanaInfra Nasional Berhad	10/28	GG	4.445	40	4.454	05/12/2018	-1	38
N.U.R Power Sdn Berhad	06/19	AAA	4.004	10	4.081	01/11/2018	-8	56
GB Services Berhad	11/19	AAA	4.343	20	4.350	23/11/2018	-1	90
Putrajaya Holdings Sdn Berhad	07/23	AAA	4.325	15	4.388	26/02/2018	-6	48
Rantau Abang Capital Berhad	01/32	AAA	4.719	10	4.720	06/12/2018	0	19
EKVE Sdn Berhad	01/35	AAA	4.949	10	5.098	25/09/2017	-15	42
Sabah Development Bank Berhad	08/19	AA1	4.557	20	4.619	31/07/2018	-6	111
Teknologi Tenaga Perlis Consortium Sdn Berhad	01/21	AA1	4.320	8	4.458	07/05/2018	-14	78
TRIplic Medical Sdn Berhad	10/22	AA1	4.418	15	4.501	22/06/2018	-8	65
Maybank Islamic Berhad	04/24	AA1	4.548	10	4.718	26/11/2018	-17	71
YTL Power International Berhad	05/27	AA1	4.878	20	4.878	04/12/2018	0	80
Northern Gateway Infrastructure Sdn Berhad	08/32	AA1	4.930	5	5.241	07/06/2018	-31	40
Sarawak Energy Berhad	12/32	AA1	4.886	10	4.887	05/12/2018	0	36
Tanjung Bin Power Sdn Berhad	08/20	AA2	4.302	20	4.297	03/12/2018	0	76
PBFIN Berhad	06/59	AA2	4.557	10	4.281	14/11/2018	28	-19
Anih Berhad	11/23	AA	4.502	10	4.518	25/10/2018	-2	66
CIMB Group Holdings Berhad	11/27	AA	4.649	10	4.930	08/06/2018	-28	54
Gamuda Berhad	11/22	AA3	4.640	40	4.600	04/10/2018	4	87
IJM Corporation Berhad	08/28	AA3	4.909	10	4.919	16/11/2018	-1	84
WCT Holdings Berhad	04/26	AA-	5.482	10	5.499	16/10/2018	-2	148
Southern Power Generation Sdn Berhad	04/33	AA-	4.914	35	4.917	05/12/2018	0	39
Southern Power Generation Sdn Berhad	04/34	AA-	5.014	10	5.032	12/11/2018	-2	49
Southern Power Generation Sdn Berhad	10/34	AA-	5.071	10	5.081	16/11/2018	-1	55
Hong Leong Financial Group Berhad	11/17	A1	4.907	0	4.908	04/12/2018	0	16
UMW Holdings Berhad	04/18	A1	5.789	1	5.789	30/11/2018	0	104
Alliance Bank Malaysia Berhad	10/25	A2	4.990	0	5.154	22/11/2018	-16	99
				369				

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

Market/Corporate News: What's Brewing

International rating agency Moody's Investors Service has affirmed the Malaysian government's local and foreign currency issuer and senior unsecured debt ratings at A3 with stable outlook. The rating affirmation recognises that Malaysia's fiscal strength has weakened, while the stable outlook balances credit constraints from low-debt affordability and a high-debt burden against inherent credit strengths, including resilient economic growth and a stable and broad funding base for the country's debt. "Government debt will stay high longer and the government's fiscal policy choices will narrow the revenue base and reduce fiscal flexibility further," Moody's said in a statement today. Following a change in the government after the general election in May 2018, the new government has signalled a significant shift in policy priorities towards supporting lower incomes and enhancing the transparency of public finances. Moody's said the government's fiscal choices, most notably the abolition of the Goods and Service Tax (GST) would have long-lasting negative effects on revenue collection. Moreover, it believed the measures implemented and announced would lead to a concentration of the revenue base on oil-related revenues and a dependence on non-tax revenues, such as dividends from state-owned enterprises, that would limit fiscal flexibility in future years. The rating agency, however, said robust growth potential, notwithstanding a slowdown in the next few years, and deep domestic capital markets would continue to support the rating at A3. "A solid institutional framework, including strong monetary policy effectiveness, also supports the credit profile, although in Moody's view, the government will face hurdles to significantly reining in pervasive corruption," it said. Moody's placed Malaysia among the fastest growing A-rated sovereigns after China (A1 stable), Ireland (A2 stable) and Malta (A3 positive) in the last five years, at an annual average growth of 5.2 per cent. "We expects gross domestic product (GDP) growth to slow to slightly under five per cent from 2018, owing to slower trade flows and lower investment growth. "Nevertheless, growth will remain stronger than the median average

for A-rated sovereigns," it said. In the longer term, Moody's believed that Malaysia's economic prospects were supported by well-developed infrastructure, substantial natural resources, globally competitive manufacturing and services sectors. Robust growth is expected to contribute to rising incomes from already strong levels, at just under US\$30,000 in GDP per capita terms and at purchasing power parity. Malaysia's deep capital markets also provide a stable funding base at moderate costs and government debt is nearly entirely (97.6 per cent) financed in local currency, sheltering the balance sheet from a sudden rise in the debt burden as a result of a depreciation of the ringgit. Moody's said two-thirds of overall government debt was held by domestic investors that were large and long-term, such as the Employees Provident Fund and Retirement Fund (Incorporated), the civil servant pension fund. "Malaysia's institutional framework has demonstrated sound monetary policy management and relatively strong governance, supported by a skilled bureaucracy. "The legal and regulatory frameworks are supporting robust growth and macroeconomic stability. Stable inflation at low levels denotes effective monetary policy," it said. However, Moody's opined that pervasive corruption has acted as a credit constraint, undermining government effectiveness. Over the medium term, it said the probability of an upgrade would rise materially should the scope for fiscal consolidation increase significantly, in particular through measures that broadened the currently narrow revenue base, and its pace accelerated substantially, which would point to a decline in the government debt burden and improvements in debt affordability. "A reduction in external vulnerability risks, such as through a reversal of the rise in short-term external debt liabilities that would diminish Malaysia's sensitivity to confidence-based capital flows would also support a rating upgrade," Moody's said. On the other hand, the rating agency said Malaysia's rating would likely be downgraded should the country revise its prospects for fiscal consolidation and anticipate a marked increase in government debt over the next few years. "This can result from more limited scope to cut expenditure than currently assumed and/or a pronounced and lasting negative economic shock that undermines government revenue. "More significant financial support to state-owned enterprises over a number of years will also weaken fiscal strength," it said. Moody's said rising political tensions and divergences of views within the government could undermine policy effectiveness. "If this was likely to impair the government's capacity to adhere to its fiscal consolidation objectives and/or threatened the stability of capital flows in Malaysia, this could also lead to a rating downgrade," it said. It added that long-lasting tensions between the US and China, significantly slower global trade and heightened uncertainty about the trade environment impeding investment could undermine Malaysia's economic strength while putting downward pressure on the country's rating. Meanwhile, Moody's also affirmed the backed senior unsecured US dollar trust certificates issued by Malaysia Sovereign Sukuk Bhd and the backed senior unsecured debt issued by Malaysia Sukuk Global Bhd, special purpose vehicles established by the government at A3. It said the payment obligations associated with these certificates were direct obligations of the government. "In our opinion, the payment obligations represented by the securities issued by these two special purpose vehicles are ranked 'pari passu' with other senior, unsecured debt issuances of the government. "As such, ratings for the sukuk issuances mirror the government's issuer rating," Moody's said. It also affirmed the local currency ratings on the backed senior unsecured debt issued by Khazanah Nasional Bhd and guaranteed by the government at A3. (Source: Bloomberg)

Top Glove Corporation Bhd and AMMB Holdings Bhd will be included in the FTSE Bursa Malaysia KLCI with effect from Dec 24, taking over from Telekom Malaysia Bhd and KLCC Prop & REITS – Stapled Securities. FTSE Russell and Bursa Malaysia announced on Thursday the changes to the 30-stock KLCI after the semi-annual review of the FTSE Bursa Malaysia Index Series on Thursday. The FBM KLCI is widely used by investors as the primary benchmark for the Malaysian market, including derivatives through FTSE Bursa Malaysia KLCI Futures (FKLI), FTSE Bursa Malaysia KLCI Options (OKLI). The benchmarks are also tracked by a number of index-linked financial products, such as exchange traded funds. "The FBM KLCI reserve list, comprising the five highest ranking non-constituents of the index by market capitalisation, will be used in the event that one or more constituents are deleted from the KLCI during the period up to the next semi-annual review in June 2019. "The reserve list are

Westports Holdings, YTL Corp, Fraser & Neave Holdings, QL Resources and Lotte Chemical Titan Holdings,” they said in a joint statement. The new additions for the FTSE Bursa Malaysia Mid 70 Index are Telekom Malaysia, UMW Holdings, Carlsberg Brewery Malaysia, Aeon (M), Boustead Plantations, Hibiscus Petroleum and Matrix Concepts Holdings. As a result, Top Glove, AMMB Holdings, Gas Malaysia, Hong Leong Industries, MMC, TA Global and Ta Ann Holdings will be deleted from the FTSE Bursa Malaysia Mid 70 Index. For the FTSE Bursa Malaysia Hijrah Shariah Index, new additions are Petronas Dagangan, UMW Holdings and Serba Dinamik Holdings. Top Glove, IOI Properties Group and Sapura Energy will be deleted from the FTSE Bursa Malaysia Hijrah Shariah Index. (Source: The Star Online)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Ara Bintang Berhad	RM330 million Second Senior MTN	AAA/Negative	Reaffirmed
	RM730 million Third Junior MTN, RM10 million Fourth Junior MTN and RM10 million Fifth Junior MTN under its RM1.25 billion MTN Programme	C3/Stable	Reaffirmed

Source: RAM, MARC

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