

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries yield curve shifted lower yesterday amid a major equity sell-off and ongoing heavy UST supply coming on-stream 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 2-5bps lower with the 2Y at 2.84% whilst the much-watched 10Y rallied and yields fell another 4bps to 3.16% levels. Treasury's \$23b of 10Y auction notched the highest yield since 2011 @ 3.225% on a BTC ratio that slipped to 2.39x; compared to recent average of 2.55x. Strong US data, rising commodity prices, tight monetary trajectory and brewing wage pressures have been seen to push yields higher. The upcoming CPI data tonight will give a fresh read on whether the Fed is accurate on its view of the tepid inflation.

MGS/GII

- Trading momentum in Govvies improved with volume at RM2.48b yesterday as investors were seen active in both off-the-run 19's, 21's and 10Y benchmark GII bonds. Overall yields ended mixed between -3 to +3bps. The 7Y MGS 3/25 rallied 3bps to 3.97% whilst the 10Y MGS 6/28 edged 1bps higher at 4.13% levels. GII bond trades formed 24% of overall trades. With the recent positive measures to be undertaken by the new-elect government, capital markets may be expected to minimize nagging fiscal concerns going forward as values emerge amid a deep and liquid bond market. On the data front we have the IPI and manufacturing sales numbers out today.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.84	-4
5-yr UST	3.00	-5
10-yr UST	3.16	-4
30-yr UST	3.35	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	-1	3.73	0
5-yr	3.77	2	3.88	0
7-yr	3.97	-3	4.09	1
10-yr	4.13	1	4.20	1
15-yr	4.55	3	4.56	0
20-yr	4.69	0	4.77	0
30-yr	4.92	-1	4.96	2

* 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

RM3.0b Reopening of 20Y MGS 6/38 on Friday, 12th Oct

Corp Bonds/Sukuk

- Corporate bonds/Sukuk witnessed return of investor interest as volume rose to RM376m with focus mainly centered on AAA to AA-part of the curve on 21 different bonds. Overall yields ended mostly mixed yesterday. However there was hardly any Govt-guaranteed bond trades as sellers were far and few for now. AAA-rated TENAGA 8/33 moved 2bps lower compared to previous-done levels at 4.71% whereas GENM 7/23 lost 6bps at 4.76% levels. The banking and Finance space saw immense interest with AMBANK 3/20 closing 5bps lower at 4.29% on RM80m nominal amounts whilst Hong Leong Assurance 25NC20 rallied 5bps to 4.62 levels.

Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/19	3.344	41	3.300	09/10/2018	4
MGS 10/19	3.438	859	3.458	09/10/2018	-2
MGS 11/19	3.438	23	3.462	05/10/2018	-2
MGS 07/20	3.518	1	3.541	09/10/2018	-2
MGS 10/20	3.524	13	3.542	09/10/2018	-2
MGS 07/21	3.632	28	3.648	08/10/2018	-2
MGS 09/21	3.636	129	3.661	09/10/2018	-2
MGS 11/21	3.609	301	3.619	09/10/2018	-1
MGS 03/22	3.661	4	3.661	05/10/2018	0
MGS 08/22	3.778	29	3.753	09/10/2018	2
MGS 03/23	3.826	87	3.864	09/10/2018	-4
MGS 04/23	3.774	30	3.774	09/10/2018	0
MGS 08/23	3.833	42	3.856	09/10/2018	-2
MGS 07/24	3.974	110	3.998	09/10/2018	-2
MGS 09/24	4.004	4	4.049	09/10/2018	-5
MGS 03/25	3.971	20	3.997	04/10/2018	-3
MGS 09/25	4.041	16	4.072	09/10/2018	-3
MGS 04/26	4.111	21	4.119	05/10/2018	-1
MGS 11/26	4.123	8	4.126	08/10/2018	0
MGS 11/27	4.138	1	4.141	09/10/2018	0
MGS 06/28	4.127	69	4.118	09/10/2018	1
MGS 11/33	4.549	1	4.522	05/10/2018	3
MGS 07/48	4.921	40	4.930	09/10/2018	-1
GII 10/18	3.319	4	3.304	25/09/2018	2
GII 11/18	3.298	71	3.234	02/10/2018	6
GII 04/19	3.334	26	3.317	09/10/2018	2
GII 08/20	3.603	6	3.532	05/10/2018	7
GII 08/21	3.705	3	3.668	04/10/2018	4
GII 03/22	3.726	50	3.723	09/10/2018	0
GII 08/25	4.085	60	4.077	08/10/2018	1
GII 07/27	4.223	52	4.194	03/10/2018	3
GII 10/28	4.195	310	4.187	04/10/2018	1
GII 06/33	4.563	20	4.562	02/10/2018	0
		<u>2477</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*	
DanaInfra Nasional Berhad	10/31	GG	4.580	2	4.905	31/05/2018	-33	5
Cagamas Berhad	01/19	AAA	3.588	48	-	-	-	20
GENM Capital Berhad	07/23	AAA	4.764	35	4.701	09/10/2018	6	100
Telekom Malaysia Berhad	05/28	AAA	4.568	10	4.560	27/09/2018	1	46
Tenaga Nasional Berhad	08/33	AAA	4.709	20	4.730	27/09/2018	-2	18
Northern Gateway Infrastructure Sdn Berhad	08/24	AA1	4.494	5	-	-	-	57
Northern Gateway Infrastructure Sdn Berhad	08/25	AA1	4.521	5	4.521	19/09/2018	0	52
Danajamin Nasional Berhad	10/27	AA+	4.672	50	4.687	19/09/2018	-2	57
AmBank Islamic Berhad	03/20	AA2	4.291	80	4.346	04/09/2018	-5	90
Fortune Premiere Sdn Berhad	03/23	AA	4.776	5	4.778	24/09/2018	0	106
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	4.749	10	4.763	19/09/2018	-1	113
Hong Leong Assurance Berhad	02/25	AA3	4.622	15	4.667	04/09/2018	-4	70
RHB Bank Berhad	05/25	AA3	4.435	10	4.644	06/03/2018	-21	44
Tanjung Bin Energy Issuer Berhad	03/29	AA3	4.838	10	4.699	11/10/2016	14	73
Southern Power Generation Sdn Berhad	04/22	AA-	4.456	10	4.460	04/10/2018	0	74
Southern Power Generation Sdn Berhad	10/22	AA-	4.487	10	4.480	27/09/2018	1	77
Jimah East Power Sdn Berhad	12/29	AA-	4.808	20	4.817	25/09/2018	-1	70
Bank Islam Malaysia Berhad	11/27	A1	4.817	10	4.813	01/10/2018	0	72
RHB Bank Berhad	03/39	A1	4.291	10	4.312	08/10/2018	-2	-42
CIMB Group Holdings Berhad	05/16	A1	4.944	10	4.615	08/10/2018	33	24
Alliance Bank Malaysia Berhad	10/25	A2	5.003	1	5.005	05/10/2018	0	100
			<u>376</u>					

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

Market/Corporate News: What's Brewing

Passenger traffic at the 39 airports in the countries Malaysia Airports Holdings Bhd (MAHB) operates in rose 1.3% in September to 7.75 million from 7.65 million in the same month last year. International traffic climbed 0.9% year-on-year (y-o-y) to 4 million passengers, while domestic traffic rose 1.6% y-o-y to 3.75 million passengers. "There was double-digit growth in passenger movements to and from Oman, Saudi Arabia, South Korea, Vietnam, Ethiopia and Iraq in September," MAHB said in a filing with Bursa Malaysia today. Passenger traffic at the Kuala Lumpur International Airport (KLIA) Main Terminal fell 0.9% y-o-y to 2.18 million in September from 2.19 million, while passenger traffic at klia2 also fell by 0.8% to 2.45 million from 2.47 million. This was due to 1.4% y-o-y decline in international passengers to 3.35 million, which was offset by an 0.8% increase in domestic passengers to 1.28 million. "There have been increasing intra-domestic passenger movements among non-KLIA airports which used to flow significantly through KLIA in the past. "There have also been increasing direct international services to the non-KLIA airports compared to previously," said MAHB. "This, in a way has reduced some movements through KLIA Main Terminal and klia2," it added. Meanwhile, the Sabiha Gökçen International Airport in Istanbul, Turkey (Istanbul SGIA) posted a 4.1% growth in passenger count to 3.07 million from 2.95 million in September last year. With that, Istanbul SGIA's passenger count has stayed above three million for three consecutive months, said MAHB. "International and domestic passenger movements [in Istanbul SGIA] recorded an increase of 6.8% and 2.7% respectively," it added. Systemwide including its Istanbul operations in Turkey, MAHB saw a 2% increase in passenger traffic to 10.81 million in September from 10.6 million last year. The month also saw overall aircraft movements across the MAHB system increase by 3%, with international and domestic aircraft movements recording an increase of 2.9% and 3% respectively over September 2017. In the third quarter of 2018 (3QCY18), MAHB recorded 3.1% more passengers across all airports under its management to 34.5 million, backed by a 7.6% y-o-y increase in Istanbul SGIA and a 1.5% increase y-o-y in Malaysian airports, although the KLIA Main Terminal registered a 3.8% decline. "While the airlines seat capacity offerings have improved, there has been a small drop in the average load factor," said MAHB. (Source: *The Edge Markets*)

MMC Gamuda KVMRT (T) Sdn Bhd, the contractor for the underground portion of the Mass Rapid Transit 2 (MRT2) project, has pledged to adopt an "open book approach" if fresh negotiations can be held. The company, in a statement, said it hoped to be invited back to the negotiating table with the government after Dr Mahathir on Tuesday said he would reconsider the Cabinet's decision to terminate the underground contract. "It is our express hope that the government would invite us back to the negotiating table as part of that review process, and we shall adopt an open-book approach with the appointment of an international engineering consulting firm that possesses the necessary experience and track record in assessing tunnelling works around the world, and as such, be in the best position to re-examine where savings can be derived," MMC-Gamuda said. On Sunday (Oct 7), Finance Minister Lim Guan Eng said the Cabinet had decided to terminate the MMC-Gamuda contract to build the underground portion of the MRT2 project, adding that all unfinished underground work will be re-tendered via an open tender process. But Prime Minister Tun Dr Mahathir Mohamad, on Tuesday, said the government will reconsider the decision. "We urge all stakeholders, especially our staff, subcontractors and suppliers, to remain calm, be patient and trust in the wisdom of our Prime Minister in his impending review process," MMC-Gamuda said, "Our request in return for the open-book approach is that our intellectual property rights and commercially sensitive information are duly respected as such, by the said reviewing consultant and all reviewing parties, during the review

process."Below is the statement by MMC Gamuda in full...MMC Gamuda welcomes the decision by the Prime Minister, Tun Dr Mahathir Mohamad, to review the cancellation of the MRT 2 Underground Contract with MMC Gamuda. MMC Gamuda remains committed to further discussion with MOF and to cooperate with MOF in reaching an agreeable reduction of cost. The recent outpouring by MMC Gamuda staff over the last 48 hours is sincere and directly from their hearts. Given the recent announcement of termination of the MRT 2 Underground Contract, we understand their reactions and are indeed empathetic of their situation. Nonetheless, we urge all stakeholders especially our staff, subcontractors and suppliers to remain calm, be patient and trust in the wisdom of our Prime Minister in his impending review process. It is our express hope that the Government would invite us back to the negotiating table as part of that review process, and we shall adopt an open book approach with the appointment of an international engineering consulting firm that possesses the necessary experience and track record in assessing tunnelling works around the world, and as such, be in the best position to re-examine where savings can be derived. Our request in return for the open-book approach is that our Intellectual Property (IP) rights and commercially sensitive information are duly respected as such, by the said reviewing consultant and all reviewing parties, during the review process. MMC Gamuda therefore leaves the matter in the good hands of the Prime Minister, Tun Mahathir. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
SAJ Capital Sdn Bhd'	Sukuk Murabahah of up to RM650.0 million for up to 12 years	AA-IS	Affirmed
Putrajaya Bina Sdn Bhd	RM1.58 billion Islamic Medium-Term Notes (Sukuk Wakalah) Programme.	AAA-IS	Affirmed
Sabah Development Bank Berhad	CP Programme of up to RM3.0 billion (2012/2019) and MTN Programme of up to RM3.0 billion (2011/2036)^	AA1/Stable/P1	Reaffirmed
	RM1.0 billion MTN Programme (2008/2028)	AA1/Stable/P1	Reaffirmed
	CP Programme of up to RM1.0 billion in nominal value (2013/2020) and MTN Programme of up to RM1.0 billion in nominal value (2012/2032)	AA1/Stable/P1	Reaffirmed
	Commercial Papers (CP) Programme of up to RM1.5 billion in nominal value (2014/2021) and Medium-Term Notes (MTN) Programme of up to RM1.5 billion in nominal value (2013/2033)	AA1/Stable/P1	Reaffirmed

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

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.