

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.73	2
5-yr UST	2.72	3
10-yr UST	2.86	1
30-yr UST	3.13	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.65	-1	3.75	0
5-yr	3.83	-1	3.88	0
7-yr	3.99	1	4.06	-1
10-yr	4.08	0	4.19	-1
15-yr	4.50	-1	4.59	0
20-yr	4.72	0	4.78	0
30-yr	4.92	0	4.94	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.75	0
5-yr	3.84	0
7-yr	3.95	0
10-yr	4.15	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US treasuries came under selling pressure after recent rally and a respite in overnight US equities. The yield curve bear flattened for the first time in a while with the benchmark 2Y yields added 2bps to 2.73% while the 10Y added just one bp to 2.86% at close. Long bond 30Y gained instead, pushing yields down 1bp to 3.13%. We believe the overnight selling in UST is just a blip as the overall risk-off environment arising from uncertainties from the growth outlook and Fed policy path, Brexit deal or no deal, will continue to underpin demand for safety.

MGS/GII

- Trading interests in local govies gained traction for the first time in four days, with total volume dealt rising from RM1.26bn to RM1.73bn yesterday, riding on slight improvement in market sentiments. Benchmark govies yields ended largely flat to 1bp lower with the exception of 7Y MGS 3/25 which edged 1bp higher to 3.99% amid razor thin volume. Overall trading interests were seen skewed to the front end and the belly of the curve, most notably MGS 11/26 and MGS 8/23, with RM292m and RM102m changed hands respectively. MGS 8/23 was last dealt at 3.863% (-1bps) while MGS 11/26 ended 3bps wider at 4.165%. On the contrary, momentum in GII pulled back quite substantially, with volume done accounting for a mere 18% of overall bond trades yesterday, below the one third threshold in the past week. Expect trading momentum in local govies to remain subdued amid still fragile sentiments and lack of positive catalysts in the markets.

Corp Bonds/Sukuk

- Despite overall cautious market sentiments, trading interests in corporate bonds/sukuk edged up a little to RM379m yesterday but the number of issuances traded dwindled to 16 (27 a day ago). While the AAA and AA-rated segments continued to mark its presence, trading in single-A papers gained traction making up 61% of overall trades done in the corporate bond space. TF Varlik '6/19 (RM100m), KT Kira '3/20 and '5/20 (RM130m) stole the limelight trading at 6.144%, 5.631% and 5.672% respectively. In the GG segment, PASB '9/25 was the only GG paper traded yesterday, with RM5m changed hands at 4.251%.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 03/19	3.258	25	3.210	06/12/2018	5
MGS 07/19	3.373	0	3.350	07/12/2018	2
MGS 10/19	3.465	57	3.467	07/12/2018	0
MGS 11/19	3.451	90	3.438	07/12/2018	1
MGS 03/20	3.473	1	3.501	07/12/2018	-3
MGS 10/20	3.499	54	3.516	07/12/2018	-2
MGS 02/21	3.598	6	3.621	04/12/2018	-2
MGS 07/21	3.670	94	3.670	07/12/2018	0
MGS 09/21	3.683	10	3.693	05/12/2018	-1
MGS 11/21	3.652	89	3.659	07/12/2018	-1
MGS 03/22	3.760	57	3.729	06/12/2018	3
MGS 08/22	3.790	38	3.790	07/12/2018	0
MGS 09/22	3.794	62	3.794	07/12/2018	0
MGS 03/23	3.839	101	3.851	07/12/2018	-1
MGS 04/23	3.827	79	3.832	07/12/2018	0
MGS 08/23	3.863	102	3.874	07/12/2018	-1
MGS 07/24	3.985	31	3.971	07/12/2018	1
MGS 03/25	3.989	7	3.983	07/12/2018	1
MGS 09/25	4.051	66	4.014	06/12/2018	4
MGS 04/26	4.136	45	4.152	07/12/2018	-2
MGS 11/26	4.165	292	4.138	07/12/2018	3
MGS 03/27	4.180	40	4.209	05/12/2018	-3
MGS 11/27	4.190	2	4.190	06/12/2018	0
MGS 06/28	4.079	1	4.078	07/12/2018	0
MGS 06/31	4.480	2	4.480	07/12/2018	0
MGS 04/33	4.530	2	4.502	07/12/2018	3
MGS 11/33	4.495	50	4.502	07/12/2018	-1
MGS 04/37	4.725	0	4.757	07/12/2018	-3
MGS 06/38	4.719	20	4.721	07/12/2018	0
MGS 09/43	4.942	0	4.942	06/12/2018	0
GII 04/19	3.265	8	3.250	07/12/2018	2
GII 04/20	3.532	77	3.531	07/12/2018	0
GII 07/22	3.817	70	3.837	05/12/2018	-2
GII 07/23	3.938	3	3.974	27/11/2018	-4
GII 08/25	4.058	0	4.067	07/12/2018	-1
GII 10/25	4.125	20	4.133	07/12/2018	-1
GII 09/26	4.206	0	4.213	05/12/2018	-1
GII 10/28	4.185	50	4.192	07/12/2018	-1
GII 06/33	4.586	80	4.591	06/12/2018	0
GII 10/35	4.786	1	4.803	21/11/2018	-2
		<u>1732</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*	
Pengurusan Air SPV Berhad	09/25	GG	4.251	5	4.242	04/12/2018	1	25
Projek Lebuh raya Usahasama Berhad	01/27	AAA	4.589	10	4.608	14/11/2018	-2	51
Rantau Abang Capital Berhad	01/32	AAA	4.718	10	4.719	07/12/2018	0	19
Sabah Development Bank Berhad	09/20	AA1	4.502	0	4.826	16/10/2018	-32	96
Public Bank Berhad	04/27	AA1	4.586	20	4.590	08/11/2018	0	51
Sarawak Energy Berhad	12/32	AA1	4.878	70	4.886	07/12/2018	-1	35
Krung Thai Bank Public Company Limited	07/25	AA2	4.596	1	4.507	23/10/2018	9	59
Edra Energy Sdn Berhad	07/27	AA3	5.570	10	5.551	05/12/2018	2	146
Tanjung Bin Energy Issuer Berhad	03/28	AA3	4.724	10	4.733	06/12/2018	-1	61
Tadau Energy Sdn Berhad	07/28	AA3	5.235	10	5.237	03/12/2018	0	117
TF Varlik Kiralama A. S	06/19	A1	6.144	100	6.221	29/10/2018	-8	270
KT Kira Sertifikalari Varlik Kiralama A.S.	03/20	A1	5.631	90	5.610	04/06/2018	2	219
KT Kira Sertifikalari Varlik Kiralama A.S.	05/20	A1	5.672	40	5.486	14/11/2017	19	223
Bright Focus Berhad	01/24	A1	6.178	2	4.573	28/08/2017	161	234
CIMB Group Holdings Berhad	05/16	A1	4.954	0	5.139	30/11/2018	-19	21
Alliance Bank Malaysia Berhad	10/25	A2	4.648	1	4.990	07/12/2018	-34	65
			<u>379</u>					

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

Market/Corporate News: What's Brewing

Malaysia's palm oil stockpiles at the end of November rose above 3 million tonnes as a steep decline in exports boosted reserves, official data showed on Monday. Palm oil stocks last month rose 10.5 percent from October to 3.007 million tonnes, industry regulator the Malaysian Palm Oil Board (MPOB) said. The stockpiles are at the highest in at least 18 years, according to Refinitiv data going back that far. Rising palm oil reserves could weigh on benchmark palm oil prices, which were falling for a second session on Monday. A Reuters survey based on the median estimate of eight planters, traders and analysts earlier this month showed Malaysia's palm oil stocks would touch the 3-million-tonne mark. "The ending stocks are as per our expectations but a decline of more than 6 percent in production is bit of a surprise," said Santhosh Kumar, chief executive of Singaporean trading and consulting company Arcis Global Merchants Pte Ltd. "Most people were looking at a decline of around 3 percent." The MPOB data showed palm oil production in November slid 6.09 percent from the previous month to 1.85 million tonnes, while exports fell 12.9 percent to 1.375 million tonnes. Demand for palm oil generally tapers down in the last quarter of the year, as colder temperatures in key markets such as China and Europe cause palm oil to solidify, which leads buyers to seek alternative oils. (Source: The Star Online/ Reuters)

Worldwide Holdings Bhd is teaming up with a Chinese company Western Power Clean Energy Sdn Bhd to build a RM500mil waste-to-energy (WTE) plant in Jeram, Selangor. In a statement issued on Monday, Worldwide Holdings had signed a joint development agreement with Western Power Clean Energy – a joint venture between China Western Power Industrial Co. and China Western Power International – to build the WTE plant. Worldwide Holdings is building the WTE plant at its Jeram sanitary landfill which will be part of its unintegrated solid waste management centre. Its group CEO Datin Paduka Norazlina Zakaria said WTE will involve the conversion of waste into energy in the form of electricity. Solid waste will be the feedstock to heat up the furnace and create steam which will turn the turbine to generate electricity, she said. With waste capacity of 1,000 tonnes a day, the first phase will produce between 20 MW and 25 MW of green energy, enough to power 25,000 households in the vicinity of the plant. The agreement was signed by Worldwide Holdings chairman Datuk Nor Azmie Diron, Norazlina, China Western Power Engineering and Construction Co. Ltd executive director and president Yang. Xiangdong and China Western Power International executive director Jiang Shuhong. (Source: The Star Online)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Hong Leong Bank Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
Hong Leong Islamic Bank Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
Hong Leong Investment Bank Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
Hong Leong Financial Group Berhad	Corporate credit ratings	AA1/P1	Reaffirmed
Standard Chartered Saadiq Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed

Source: RAM, MARC

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