

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.85	1
5-yr UST	3.01	0
10-yr UST	3.15	-1
30-yr UST	3.32	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	0	3.73	1
5-yr	3.77	0	3.88	0
7-yr	3.99	2	4.08	0
10-yr	4.13	0	4.20	0
15-yr	4.56	1	4.54	-2
20-yr	4.69	2	4.77	0
30-yr	4.92	0	4.96	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.78	0
5-yr	3.87	-1
7-yr	3.98	-1
10-yr	4.19	0

Source : Bloomberg

Upcoming Government Bond Tender

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

US Treasuries

- US Treasuries yield flattened as the longer-end held steady yesterday following muted September CPI data out of US whilst equity sell-off continued. Volumes were seen higher than 30-day averages. Overall benchmark yields were mixed between -2 to +1bps across the curve with the 2Y at 2.85% whilst the much-watched 10Y edged 1bps lower to 3.15% levels. The Treasury's 30Y auction closed out this week's heavy schedule of \$230b worth of debt with a relatively strong BTC ratio of 2.42x (higher than 2.34m in Sep); averaging 3.344%. Strong US data, rising commodity prices, tight monetary trajectory and brewing wage pressures have been seen to push yields higher. Meanwhile majority of Wall Street strategists view resumption of yield curve flattening well into next year.

MGS/GII

- Trading momentum in Govvies maintained with volume at RM2.19b yesterday as investors were seen active in both off-the-run 19's, 23-25's and also benchmark 10Y bonds. Overall benchmark yields for MGS ended 0-2bps higher whilst GII bonds saw yields end mixed. The 7Y MGS 3/25 ended at 3.99% whilst the 10Y MGS 6/28 was within 1bps higher at 4.13% levels. GII bond trades maintained at about 22% 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. Meanwhile expect attention to be focused on today's auction of 20Y MGS benchmark.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk saw further improvement in momentum as volume rose to RM459m with interest seen across the curve on 26 different bonds compared to prior day's 21. Overall yields ended mostly mixed-to-lower yesterday. The long Govt-Guaranteed DANA 4.40 and PRASA 4/42 closed unchanged compared to previous-done levels at 4.91% and 4.97% respectively. AAA-rated PUTRAJAYA 25's closed 002bps low at 4.47% levels. BESRAYA 7/28 made a rare trade climbing 21bps to 5.11% whilst Southern Power 34-35's rallied 1-12bps between 5.09-21% levels. The banking and finance space saw CIMB Group 25Nc20 and 29Nc24 closing at 4.57% and 4.80% respectively.

Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/19	3.299	27	3.273	10/10/2018	3
MGS 07/19	3.400	17	3.368	09/10/2018	3
MGS 10/19	3.441	127	3.438	10/10/2018	0
MGS 11/19	3.450	82	3.462	05/10/2018	-1
MGS 03/20	3.463	5	3.470	10/10/2018	-1
MGS 07/20	3.504	31	3.541	09/10/2018	-4
MGS 10/20	3.497	11	3.524	10/10/2018	-3
MGS 07/21	3.615	10	3.632	10/10/2018	-2
MGS 09/21	3.667	38	3.636	10/10/2018	3
MGS 11/21	3.609	90	3.619	10/10/2018	-1
MGS 08/22	3.748	13	3.778	10/10/2018	-3
MGS 09/22	3.762	2	3.776	09/10/2018	-1
MGS 03/23	3.840	50	3.851	10/10/2018	-1
MGS 04/23	3.774	190	3.774	10/10/2018	0
MGS 08/23	3.845	150	3.854	10/10/2018	-1
MGS 07/24	3.945	236	3.964	10/10/2018	-2
MGS 03/25	3.989	51	4.015	10/10/2018	-3
MGS 09/25	4.005	212	4.041	10/10/2018	-4
MGS 04/26	4.118	5	4.119	10/10/2018	0
MGS 11/26	4.111	130	4.123	10/10/2018	-1
MGS 11/27	4.152	20	4.138	10/10/2018	1
MGS 06/28	4.132	105	4.124	10/10/2018	1
MGS 06/31	4.519	5	4.508	05/10/2018	1
MGS 04/33	4.547	20	4.551	08/10/2018	0
MGS 11/33	4.558	50	4.549	10/10/2018	1
MGS 05/35	4.735	7	4.739	08/10/2018	0
MGS 04/37	4.717	1	4.716	09/10/2018	0
MGS 09/43	4.856	12	4.914	09/10/2018	-6
MGS 03/46	4.930	13	4.889	09/10/2018	4
GII 10/18	3.512	5	3.319	10/10/2018	19
GII 04/19	3.350	240	3.334	10/10/2018	2
GII 04/20	3.549	4	3.521	08/10/2018	3
GII 08/21	3.679	5	3.705	10/10/2018	-3
GII 03/22	3.732	80	3.719	10/10/2018	1
GII 08/24	4.019	12	3.948	28/09/2018	7
GII 08/25	4.080	4	4.077	10/10/2018	0
GII 10/25	4.114	1	4.102	02/10/2018	1
GII 09/26	4.182	2	4.144	03/10/2018	4
GII 07/27	4.216	3	4.223	10/10/2018	-1
GII 10/28	4.197	110	4.197	10/10/2018	0
GII 06/33	4.543	4	4.563	10/10/2018	-2
GII 08/33	4.624	4	4.559	30/08/2018	6
GII 10/35	4.795	7	4.751	27/09/2018	4
		<u>2190</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*	
GovCo Holdings Berhad	02/22	GG	3.989	25	4.001	21/09/2018	-1	38
MKD Kencana Sdn Berhad	02/23	GG	4.102	25	4.239	19/03/2018	-14	38
Khazanah Nasional Berhad	08/23	GG	4.151	30	4.107	20/09/2018	4	37
DanaInfra Nasional Berhad	04/40	GG	4.910	6	4.912	04/10/2018	0	19
Prasarana Malaysia Berhad	09/42	GG	4.969	50	4.970	01/10/2018	0	24
Aman Sukuk Berhad	04/19	AAA	4.030	5	4.137	24/05/2018	-11	64
Cagamas Berhad	05/23	AAA	4.200	10	4.217	07/09/2018	-2	42
Putrajaya Holdings Sdn Berhad	04/25	AAA	4.471	20	4.468	08/02/2018	0	46
Putrajaya Holdings Sdn Berhad	05/25	AAA	4.471	20	4.493	15/03/2018	-2	46
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.567	30	4.548	19/09/2018	2	56
Sarawak Energy Berhad	06/21	AA1	4.284	10	4.278	01/10/2018	1	67
CIMB Group Holdings Berhad	12/25	AA	4.569	20	4.829	01/10/2018	-26	56
CIMB Group Holdings Berhad	09/29	AA	4.797	10	4.808	02/10/2018	-1	67
BGSM Management Sdn Berhad	09/21	AA3	4.426	40	-	-	-	81
Perbadanan Kemajuan Negeri Selangor	08/23	AA3	4.902	10	4.927	21/09/2018	-2	112
BGSM Management Sdn Berhad	09/23	AA3	4.536	20	-	-	-	75
BGSM Management Sdn Berhad	12/23	AA3	4.553	5	4.525	01/10/2018	3	77
CIMB Thai Bank Public Company Limited	07/26	AA3	5.204	1	5.070	26/09/2018	13	113
Besraya (M) Sdn Berhad	07/28	AA3	5.109	20	4.897	12/12/2017	21	99
UEM Sunrise Berhad	12/18	AA-	3.973	10	4.065	25/09/2018	-9	59
SAJ Capital Sdn Berhad	01/20	AA-	4.892	3	5.069	10/07/2018	-18	150
Fortune Premiere Sdn Berhad	09/25	AA-	4.997	10	5.015	05/10/2018	-2	99
Southern Power Generation Sdn Berhad	10/34	AA-	5.089	20	5.120	20/09/2018	-3	53
Southern Power Generation Sdn Berhad	04/35	AA-	5.129	30	5.140	21/09/2018	-1	57
Southern Power Generation Sdn Berhad	10/35	AA-	5.207	10	5.329	07/08/2018	-12	65
UMW Holdings Berhad	04/18	A1	5.789	20	5.861	04/10/2018	-7	106
				<u>459</u>				

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

Market/Corporate News: What's Brewing

China's Pacific Construction Group Ltd (CPCG) gave Malaysia a vote of confidence with a planned RM10bil investment over 10 years in areas including infrastructure development and hi-tech machinery. Yan Jiehe, founder of CPCG -- which is No 96th in 2018 Fortune Global 500 -- said on Thursday Malaysia "is business friendly, and one of the most competitive countries in the region". "The country's fundamentals are strong. You have excellent infrastructure, a robust eco-system and a big pool of trilingual talents. Kuala Lumpur, is thus, a strategic launch pad for our expansion into Asia Pacific. "We plan to invest up to RM10bil over 10 years in Malaysia in line with our core business areas of infrastructure development, hi-tech machinery and education," he said in a statement. Yan also said CPCG was open to increasing its investment especially for federal projects that would benefit the people. "With our track record of having successfully delivered complicated construction projects in China, we are confident that, in collaboration with local partners, we will be able to do the same in Malaysia," he said. The group, in a move to make it easier to invest in Malaysia and across Asia Pacific, CPCG has set up CPCI Holdings Sdn Bhd (CPCI), a wholly-owned subsidiary in Kuala Lumpur as its regional technical competency centre. CPCI is involved in a RM200mil construction project in Sahabat, Sabah. "Within the next five years, we plan to employ 150 highly skilled professionals of which more than half will be Malaysians as we position CPCI as a major player across the Asia Pacific region. These trilingual local talents will be invaluable to work on the Group's projects worldwide," Yan added. With CPCI, the group would be able to optimise its operations by centralising its regional decision making and key activities in Kuala Lumpur including accounting, strategic business planning, business development, bid and tender management, as well as engineering services. Under its education strategy, CPCI plans to set up business schools and universities, and provide scholarships to local students. As a start, CPCI will provide up to 500 scholarships for construction and engineering students in local universities. On the group itself, CPCG had a total revenue of RM319bil and it is the biggest private-owned construction company in the world. Founded in 1995 by Yan, CPCG was named as one of the Top 500 Chinese Enterprises. It is one of the largest integrated construction groups in China and Asia in terms of the total engineering contract revenue. (Source: *The Edge Markets*)

Pelabuhan Tanjung Pelepas Sdn Bhd, operator of the Port of Tanjung Pelepas (PTP) here, is confident of handling 7.1% more containers this year, despite concerns the US-China trade war could affect volumes. PTP expects to handle 9 million (20-foot equivalent units) TEUs this year, up from 8.4 million TEUs in 2017. In the first nine months of 2018, the port handled 6.6 million TEUs. Chief executive officer Marco Neelsen said the fourth quarter is traditionally a strong quarter due to the "Christmas trade" where large quantities of containers are transhipped via PTP for transport to Europe. Meanwhile, Neelsen is of the view that rerouting of cargo as a result of the US trade dispute with China, may actually pose a unique opportunity for PTP as a transshipment port. "First of all, I hope that this trade war will come to an end. Nevertheless, as a logistics hub, I see Malaysia benefitting even if some companies have to reroute their freight," he told reporters during a media familiarisation trip to the port today. "Without a doubt, I think there will be challenges. But as a trading and logistics country — with the kind of infrastructure that Malaysia currently has — I think PTP could be an interesting alternative," he said. "Rerouting could be a positive thing. I don't think that cargo will be rerouted away from Malaysia because of the trade war. I think there is absolutely no signs for that. Rather, I see cargo being rerouted to Malaysia due to certain circumstances," Neelsen added. On how the new shipping alliances impact PTP,

Neelsen said it is constantly monitoring the development of the shipping industry so as to keep the port relevant with the progress.

“We are watching the entire industry because shipping lines are only one link in the whole chain. But we see that some shipping lines are starting to acquire forwarding logistic companies. So it seems that their business model will also change. Therefore we need to also position ourselves in terms of how we fit in the chain in the future,” he said. “Things are evolving much faster than it may have been 20 years ago. It’s true, the shipping community has changed a lot,” he added. In terms of PTP’s competition with the Port of Singapore, Neelsen said there are still value propositions that is offered by the port which makes sense for certain shipping lines, with respect to their individual business models. In fact, although the two ports are essentially competitors, Neelsen said Singapore is interested to cooperate with PTP to have its clients’ warehouses to be set up in PTP, due to the scarcity of land area in Singapore. “The idea is for when companies that have to leave Singapore for various reasons — predominantly because of lack of space — they would rather have the companies move to Johor than elsewhere, because it gives an opportunity for the company to still stay in Singapore for their regional headquarters but have their production or manufacturing facilities in Johor,” he explained. “Therefore I think, to a large extent, it’s a complement. The Port of Singapore and PTP can work together and we have seen this, as we already get enquiries from Singaporean companies to set up their warehouses here. “It’s an ongoing (process), and we will probably intensify (the cooperation) but at the moment, we are having positive dialogues about this,” Neelsen added. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Quantum Solar Park (Semenanjung) Sdn Bhd	RM1.0 billion Green SRI Sukuk	AA-IS	Affirmed

Source: RAM, MARC

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